

BEFORE  
THE PUBLIC SERVICE COMMISSION OF  
SOUTH CAROLINA  
DOCKET NO. 98-377-C - ORDER NO. 98-826  
OCTOBER 27, 1998

IN RE: Application of SouthNet TeleComm Services, Inc. for a Certificate of Public Convenience and Necessity to Provide Local Exchange and Long Distance Telecommunications Services on a Non-Facilities basis within the State of South Carolina.	)	ORDER <i>✓MR</i>
	)	APPROVING
	)	CERTIFICATE
	)	
	)	

This matter comes before the Public Service Commission of South Carolina ("the Commission") by way of the Application of SouthNet TeleComm Services, Inc. ("SouthNet" or "Company") requesting a Certificate of Public Convenience and Necessity authorizing it to provide both local exchange and long distance telecommunications services within the State of South Carolina. The Application was filed pursuant to S.C. Code Ann. §§ 58-9-280 and 58-9-520 and the Regulations of the Commission.

By letter, the Commission's Executive Director instructed SouthNet to publish, one time, a prepared Notice of Filing in newspapers of general circulation in the areas affected by the Application. The purpose of the Notice of Filing was to inform interested parties of the manner and time in which to file the appropriate pleadings for participation in the proceedings. SouthNet complied with this instruction and provided the Commission with proof of publication of the Notice of Filing.

A Petition to Intervene was received from the South Carolina Telephone Coalition ("SCTC"). Prior to the hearing, counsel for SCTC filed a Stipulation in which SouthNet stipulated that it would only seek authority in non-rural local exchange ("LEC") service areas of South Carolina and that it would not provide any local service to any customer located in a rural incumbent's service area, unless and until SouthNet provided written notice of its intent prior to the date of the intended service. SouthNet also stipulated that it was not asking the Commission to make a finding at this time regarding whether competition is in the public interest for rural areas. SouthNet agreed to abide by all State and Federal laws and to participate to the extent it may be required to do so by the Commission in support of universally available telephone service at affordable rates. The SCTC withdrew its opposition to SouthNet's Application provided the conditions contained in the Stipulation are met. At the hearing on its Application, SouthNet offered the Stipulation into evidence. The Stipulation is approved and attached hereto as Exhibit #1.

A hearing was commenced on October 6, 1998, at 2:30 p.m., in the Commission's Hearing Room. The Honorable Philip T. Bradley, Chairman, presided. SouthNet was represented by Bonnie D. Shealy, Esquire. Florence P. Belser, Staff Counsel, represented the Commission Staff.

Robert A. Morris, Vice President and General Manager of SouthNet, appeared and offered testimony in support of SouthNet's application. The record reveals that SouthNet is a corporation organized under the laws of the State of Georgia. According to Mr. Morris, SouthNet seeks authority to provide both local exchange and toll services in

South Carolina. SouthNet will initially offer basic two-way local business and residential service, supplemented by a variety of custom calling features (such as three way calling, call forwarding, call waiting, and speed calling), and CLASS service features (such as caller I.D., automatic redial/recall, and customer originated trace). SouthNet will also initially provide switched outbound and inbound interexchange services. Mr. Morris stated that SouthNet did not intend to provide debit card services and would revise its tariff to delete the debit card service offering. Mr. Morris stated that SouthNet had voluntarily entered into a stipulation with SCTC and that SouthNet would abide by the stipulation and would only provide local exchange service to customers located in non-rural local exchange service areas until proper notice was given and a ruling from the Commission obtained.

Mr. Morris explained that SouthNet possesses the technical, financial, and managerial resources and abilities to provide interexchange and local exchange telecommunications services. Mr. Morris explained that SouthNet's current assets exceed its current liabilities and that virtually all of the long term debt is owed to SouthNet's single shareholder. Further, Mr. Morris offered that SouthNet has a \$2.9 million credit facility as additional funding. In support of SouthNet's operational and technical expertise, Mr. Morris stated that SouthNet has been providing customers with an integrated offering of cellular, paging, interexchange, and internet access services since 1995 and further offered that SouthNet's management team is well versed in addressing the service needs and concerns of telecommunications customers.

Mr. Morris opined that SouthNet's entry into the telecommunications industry in South Carolina would serve the public interest by providing a viable and economical alternative for local and toll telecommunications services. Mr. Morris also offered that approval of SouthNet's application should enhance competition in the South Carolina telecommunication market which should increase downward pressure on rates, enhance product and service quality and diversity, and generate greater network efficiencies. Mr. Morris also testified that approval of SouthNet's application would not adversely impact affordable local exchange service, and no party of record offered any evidence that the provision of local exchange service by SouthNet would adversely affect local rates.

Mr. Morris testified that the Company would operate in accordance with the Commission rules, regulations, guidelines and Commission Orders. Mr. Morris also stated that SouthNet would support universally available telephone service at affordable rates and that the provision of local service by SouthNet would not adversely impact affordable local service. Mr. Morris specifically stated that the services it will provide will meet the service standards of the Commission. Additionally, Mr. Morris explained SouthNet's services, customer service operations, and marketing procedures.

After full consideration of the applicable law, the Company's application, and the evidence presented at the hearing, the Commission hereby issues its findings of fact and conclusions of law:

#### **FINDINGS OF FACT**

1. SouthNet is a corporation organized under the laws of the State of Georgia.

2. SouthNet wishes to provide local exchange services and interexchange services within the State of South Carolina.

3. The Commission finds that SouthNet possesses the technical, financial, and managerial resources sufficient to provide the service requested.

4. The Commission finds that SouthNet's "provision of service will not adversely impact the availability of affordable local exchange service." S.C. Code Ann. § 58-9-280(B)(3) (Supp. 1997).

5. The Commission finds that SouthNet will support universally available telephone service at affordable rates. S.C. Code Ann. § 58-9-280(B)(4) (Supp. 1997).

6. The Commission finds that SouthNet will provide services which will meet the service standards of the Commission. S.C. Code Ann. § 58-9-280(B)(2) (Supp. 1997).

7. The Commission finds that the provision of local exchange service by SouthNet "does not otherwise adversely impact the public interest." S.C. Code Ann. § 58-9-280(B)(5) (Supp. 1997).

### **CONCLUSIONS OF LAW**

1. Based on the above findings of fact, the Commission determines that a Certificate of Public Convenience and Necessity should be granted to SouthNet to provide competitive intrastate local exchange services in South Carolina, subject to the terms of the Stipulation between SouthNet and SCTC. SouthNet is also authorized to provide intrastate interexchange service in South Carolina by providing intrastate interLATA service and by originating and terminating toll traffic within the same LATA,

as set forth herein, through the resale of intrastate Wide Area Telecommunications Services (WATS), Message Telecommunications Service (MTS), directory assistance, travel card service or any other services authorized for resale by tariffs of carriers approved by the Commission.

2. SouthNet shall file, prior to offering local exchange services in South Carolina, its final tariff of its local service offerings, including a price list of its services, conforming to all matters discussed with Staff and comporting with South Carolina law in all matters.

3. The Commission adopts a rate design for SouthNet for its long distance services which includes only maximum rate levels for each tariff charge. A rate structure incorporating maximum rate levels with the flexibility for adjustment below the maximum rate levels has been previously adopted by the Commission. In Re: Application of GTE Sprint Communications Corporation, etc., Order No. 84-622, issued in Docket No. 84-10-C (August 2, 1984).

With regard to its long distance services rates, SouthNet shall not adjust its rates below the approved maximum level without notice to the Commission and to the public. SouthNet shall file its proposed rate changes, publish its notice of such changes, and file affidavits of publication with the Commission two weeks prior to the effective date of the changes. However, the public notice requirement is waived, and therefore not required, for reductions below the maximum cap in instances which do not affect the general body of subscribers or do not constitute a general rate reduction. In Re: Application of GTE Sprint Communications, etc., Order No. 93-638, issued in Docket No. 84-10-C (July 16,

1993). Any proposed increase in the maximum rate level reflected in the tariff which would be applicable to the general body of the Company's subscribers shall constitute a general ratemaking proceeding and will be treated in accordance with the notice and hearing provisions of S.C. Code Ann. § 58-9-540 (Supp. 1997).

4. If it has not already done so by the date of issuance of this Order, SouthNet shall file its revised maximum long distance tariff and an accompanying price list within thirty (30) days of receipt of this Order. The revised tariff shall be consistent with the findings of this Order and shall be consistent with the Commission's Rules and Regulations.

5. SouthNet is subject to access charges pursuant to Commission Order No. 86-584 in which the Commission determined that for access purposes resellers should be treated similarly to facilities-based interexchange carriers.

6. With regard to the Company's resale interexchange service, an end-user should be able to access another interexchange carrier or operator service provider if the end-user so desires.

7. SouthNet shall resell the services of only those interexchange carriers or LECs authorized to do business in South Carolina by this Commission. If SouthNet changes underlying carriers, it shall notify the Commission in writing.

8. With regard to the origination and termination of toll calls within the same LATA, SouthNet shall comply with the terms of Order No. 93-462, Order Approving Stipulation and Agreement, in Docket Nos. 92-182-C, 92-183-C, and 92-200-C (June 3, 1993).

9. SouthNet shall file surveillance reports on a calendar or fiscal year basis with the Commission as required by Order No. 88-178 in Docket No. 87-483-C. The proper form for these reports is indicated on Attachment A.

10. The Company shall, in compliance with Commission regulations, designate and maintain an authorized utility representative who is prepared to discuss, on a regulatory level, customer relations (complaint) matters, engineering operations, tests and repairs. In addition, the Company shall provide to the Commission in writing the name of the authorized representative to be contacted in connection with general management duties as well as emergencies which occur during non-office hours.

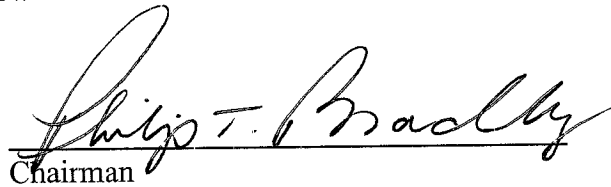
SouthNet shall file the names, addresses and telephone numbers of these representatives with the Commission within thirty (30) days of receipt of this Order. Attachment B shall be utilized for the provision of this information to the Commission. Further, the Company shall promptly notify the Commission in writing if the representatives are replaced.

11. SouthNet shall conduct its business in compliance with Commission decisions and Orders, both past and future, including but not limited to, any and all Commission decisions which may be rendered in Docket No. 96-018-C regarding local competition. Further, SouthNet is directed to obey and operate in compliance with the Rules and Regulations promulgated by the Commission, unless a Rule or Regulation is specifically waived by the Commission.

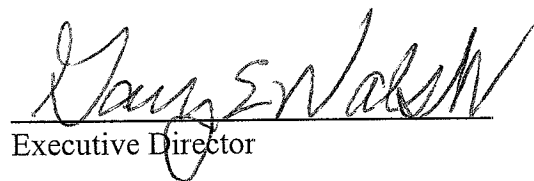


12. This Order shall remain in full force and effect until further Order of the Commission.

BY ORDER OF THE COMMISSION:

  
Chairman

ATTEST:

  
Executive Director

(SEAL)

## ANNUAL INFORMATION ON SOUTH CAROLINA OPERATIONS FOR INTEREXCHANGE COMPANIES AND AOS'S

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COMPANY NAME

---

FEI NO.

---

ADDRESS

---

CITY, STATE, ZIP CODE

---

PHONE NUMBER

- (1) SOUTH CAROLINA OPERATING REVENUES FOR THE 12 MONTHS ENDING  
DECEMBER 31 OR FISCAL YEAR ENDING \_\_\_\_\_.
- (2) SOUTH CAROLINA OPERATING EXPENSES FOR THE 12 MONTHS ENDING  
DECEMBER 31 OR FISCAL YEAR ENDING \_\_\_\_\_.
- (3) RATE BASE INVESTMENT IN SOUTH CAROLINA OPERATIONS\* FOR  
12 MONTHS ENDING DECEMBER 31 OR FISCAL YEAR ENDING \_\_\_\_\_.
- \* THIS WOULD INCLUDE GROSS PLANT, ACCUMULATED DEPRECIATION,  
MATERIALS AND SUPPLIES, CASH WORKING CAPITAL, CONSTRUCTION WORK IN  
PROGRESS, ACCUMULATED DEFERRED INCOME TAX, CONTRIBUTIONS IN AID OF  
CONSTRUCTION AND CUSTOMER DEPOSITS.
- (4) PARENT'S CAPITAL STRUCTURE\* AT DECEMBER 31 OR FISCAL YEAR ENDING  
\_\_\_\_\_.
- \* THIS WOULD INCLUDE ALL LONG TERM DEBT (NOT THE CURRENT PORTION  
PAYABLE), PREFERRED STOCK AND COMMON EQUITY.
- (5) PARENT'S EMBEDDED COST PERCENTAGE (%) FOR LONG TERM DEBT AND  
EMBEDDED COST PERCENTAGE (%) FOR PREFERRED STOCK AT YEAR ENDING  
DECEMBER 31 OR FISCAL YEAR ENDING \_\_\_\_\_.
- (6) ALL DETAILS ON THE ALLOCATION METHOD USED TO DETERMINE THE AMOUNT  
OF EXPENSES ALLOCATED TO SOUTH CAROLINA OPERATIONS AS WELL AS  
METHOD OF ALLOCATION OF COMPANY'S RATE BASE INVESTMENT (SEE #3  
ABOVE).

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SIGNATURE

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NAME (PLEASE TYPE OF PRINT)

---

TITLE

DOCKET NO. 98-377-C - ORDER NO. 98-826  
OCTOBER 27, 1998  
ATTACHMENT B

**INFORMATION OF THE AUTHORIZED UTILITY  
REPRESENTATIVES FOR INTEREXCHANGE, LOCAL  
AND AOS COMPANIES**

PURSUANT TO SOUTH CAROLINA PUBLIC SERVICE COMMISSION  
REGULATION 103-612.2.4(b), each utility shall file and maintain with the Commission  
the name, title, address, and telephone number of the persons who should be contacted in  
connection with Customer Relations/Complaints.

---

Company Name/DBA Name

---

Business Address

---

City, State, Zip Code

---

Authorized Utility Representative (Please Print or Type)

---

Telephone Number

Fax Number

---

E-Mail Address

---

This form was completed by      Signature

If you have any questions, contact the Consumer Services Department at 803-737-5230



POSTED  
9/24/98

S. C. PUBLIC SERVICE COMMISSION BEFORE  
RECEIVED THE PUBLIC SERVICE COMMISSION  
OF  
SEP 23 1998 SOUTH CAROLINA  
RECEIVED Docket No. 98-377C  
UTILITIES DEPARTMENT

S. C. PUBLIC SERVICE COMMISSION  
RECEIVED  
SEP 23 1998  
RECEIVED

Re: Application of SouthNet Telecomm Service, Inc. )  
for a Certificate of Public Convenience and Necessity )  
to Operate as a Non-Facilities Based Reseller of Local )  
Exchange and Interexchange Telecommunications )  
Services in South Carolina )  
)  
)  
)

**STIPULATION**

The South Carolina Telephone Coalition ("SCTC") (see attachment "A" for list of companies) and SouthNet Telcomm Service, Inc. ("SouthNet") hereby enter into the following stipulations. As a consequence of these stipulations and conditions, the necessity for SCTC's intervention in this matter is avoided and SCTC withdraws its opposition to SouthNet's Application. SCTC and SouthNet stipulate and agree as follows:

1. SCTC does not oppose the granting of a statewide Certificate of Public Convenience and Necessity to SouthNet, provided the South Carolina Public Service Commission ("Commission") makes the necessary findings to justify granting of such a certificate, and provided the conditions contained within this stipulation are met.

2. SouthNet stipulates and agrees that any Certificate which may be granted will authorize SouthNet to provide service only to customers located in non-rural local exchange company ("LEC") service areas of South Carolina, except as provided herein.

RETURN DATE: \_\_\_\_\_  
SERVICE: OK MR

3. SouthNet stipulates that it is not asking the Commission to make a finding at this time regarding whether competition is in the public interest for rural areas.

4. SouthNet stipulates and agrees that it will not provide any local service, by its own facilities or otherwise, to any customer located in a rural incumbent LEC's service area, unless and until SouthNet provides such rural incumbent LEC and the Commission with written notice of its intent to do so at least thirty (30) days prior to the date of the intended service. During such notice period, the rural incumbent LEC will have the opportunity to petition the Commission to exercise all rights afforded it under Federal and State law. Also, SouthNet acknowledges that the Commission may suspend the intended date for service in rural LEC territory for ninety (90) days while the Commission conducts any proceeding incident to the Petition or upon the Commission's own Motion, provided that the Commission can further suspend the implementation date upon showing of good cause.

5. SouthNet stipulates and agrees that if, after SouthNet gives notice that it intends to serve a customer located in a rural incumbent LEC's service area, the Commission receives a Petition from the rural incumbent LEC to exercise its rights under Federal or State law, or the Commission institutes a proceeding of its own, then SouthNet will not provide service to any customer located within the service area in question without prior and further Commission approval.

6. SouthNet acknowledges that any right which it may have or acquire to serve a rural telephone company service area in South Carolina is subject to the conditions contained

herein, and to any future policies, procedures, and guidelines relevant to such proposed service which the Commission may implement, so long as such policies, procedures, and guidelines do not conflict with Federal or State law.

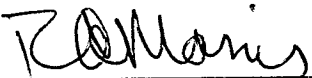
7. The parties stipulate and agree that all rights under Federal and State law are reserved to the rural incumbent LECs, and this Stipulation in no way suspends or adversely affects such rights, including any exemptions, suspensions, or modifications to which they may be entitled.

8. SouthNet agrees to abide by all State and Federal laws and to participate, to the extent it may be required to do so by the Commission, in the support of universally available telephone service at affordable rates.

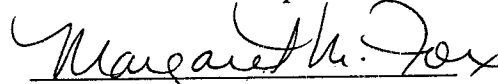
9. SouthNet hereby amends its application and its prefiled testimony in this docket to the extent necessary to conform with this Stipulation.

AGREED AND STIPULATED to this 21<sup>st</sup> day of September, 1998.

SouthNet Telecomm Service, Inc.



South Carolina Telephone Coalition:



M. John Bowen, Jr.

Margaret M. Fox

McNair Law Firm, P.A.

Post Office Box 11390

Columbia, South Carolina 29201

(803) 799-9800

Attorneys for the South Carolina  
Telephone Coalition

ATTACHMENT A  
South Carolina Telephone Coalition Member Companies  
for Purposes of Local Service Stipulation

ALLTEL South Carolina, Inc.  
Bluffton Telephone Company, Inc.  
Chesnee Telephone Company  
Chester Telephone Company  
Farmers Telephone Cooperative, Inc.  
Ft. Mill Telephone Company  
Hargray Telephone Company, Inc.  
Heath Springs Telephone Company Inc.  
Home Telephone Company, Inc.  
Horry Telephone Cooperative, Inc.  
Lancaster Telephone Company  
Lockhart Telephone Company  
McClellanville Telephone Company  
Norway Telephone Company  
Palmetto Rural Telephone Cooperative, Inc.  
Piedmont Rural Telephone Cooperative, Inc.  
Pond Branch Telephone Company  
Ridgeway Telephone Company  
Rock Hill Telephone Company  
Sandhill Telephone Cooperative, Inc.  
St. Stephen Telephone Company  
West Carolina Rural Telephone Cooperative, Inc.  
Williston Telephone Company

DOCKET NO. 98-377-C - ORDER NO. 98-826  
OCTOBER 27, 1998  
ATTACHMENT B

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REPRESENTATIVES FOR INTEREXCHANGE, LOCAL  
AND AOS COMPANIES**

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REGULATION 103-612.2.4(b), each utility shall file and maintain with the Commission  
the name, title, address, and telephone number of the persons who should be contacted in  
connection with Customer Relations/Complaints.

\_\_\_\_\_  
Company Name/DBA Name

\_\_\_\_\_  
Business Address

\_\_\_\_\_  
City, State, Zip Code

\_\_\_\_\_  
Authorized Utility Representative (Print Name)

\_\_\_\_\_  
Telephone Number

\_\_\_\_\_  
Fax Number

\_\_\_\_\_  
E-Mail Address

\_\_\_\_\_  
This form was completed by

\_\_\_\_\_  
Signature

If you have any questions, contact the Consumer Services  
Department at 803-737-5230

*Michael*  
*Pls. attach*  
*this to orig.*  
*order (it was*  
*left off)*  
*THX*  
*MICHAEL*